

MINUTES

MONTANA SENATE 56th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

SUBCOMMITTEE ON SALES TAX

Call to Order: By **CHAIRMAN BOB DEPRATU**, on March 10, 1999 at 10:06 A.M., in Room 413/415 Capitol.

ROLL CALL

Members Present:

Sen. Bob DePratu, Chairman (R)
Sen. Bill Glaser (R)

Members Excused: Sen. Barry "Spook" Stang (D)

Members Absent: None

Others Present: Sen. Alvin Ellis, Jr.
Jerry Leonard, Department of Revenue
Judy Paynter, Department of Revenue
Gordon Morris, Montana Association of Counties
Jim Standaert, Legislative Fiscal Division

Staff Present: Sandy Barnes, Committee Secretary
Lee Heiman, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 135, SB 143, SB 157

DISCUSSION ON SB 135

SEN. DEPRATU said it was his goal to finish up **SB 135** today, which would complete the subcommittee's assigned task for this first set of sales tax bills. He said the committee will meet again on Tuesday, March 16, at 10:00 a.m., to hear the report from the Department of Revenue on this present package, and then will begin to tackle the two other sales tax proposals which the Senate Taxation Committee will be hearing on Monday, March 15.

SEN. DEPRATU said that **SB 135** is an act requiring that full market value be the basis upon which property is subject to taxation, which is the final leg of bringing the other two bills into being.

Section 1 states that all taxable property must be assessed at 100% of its market value except as otherwise provided. **SEN. ELLIS** asked if there was an ag exemption, and **Mr. Morris** said that productive value will equal market value on ag property.

Mr. Morris said that when the bill was drafted, they were dealing with the **SB 163** provision which dated all the way back to 1993, and the language in this bill is contingent upon that bill not passing. With that bill's passing, this should have been changed to reflect that. He recommended that on page 2, line 21, "the product of 7 times" be struck, which then means that parcels of 20 acres or more, but less than 160 acres, would be taxed at 100% of productive capacity of grazing.

SEN. DEPRATU asked if this took care of timberland also, and **Mr. Standaert** said that their value went up 120%, but the taxes will not go up anywhere near that under this bill.

Mr. Morris said that the only other thing that needs to be noted about **SB 135** is that it would actually have been a part of **SB 157** had it not been drafted during the questionable period relative to **CI-75**, and with that in mind, Section 5 and Section 7 of the bill can both be deleted, and **SB 135** could be included in the valuation portion of **SB 157**.

Motion/Vote: **SEN. GLASER** MOVED 1) TO DELETE SECTIONS 5 AND 7, 2) TO DELETE "THE PRODUCT OF 7 TIMES" LANGUAGE FROM PAGE 2, LINE 21, AND 3) TO MAKE SB 135 A PART OF SB 157. Motion carried 2-0.

SEN. GLASER said there is a strong possibility that there will also be another amendment to this sales tax bill which has to do with vehicle taxes. He said what has been suggested is that the sales tax will be paid on the first year; on the second year through the tenth year, there will be a flat tax of \$75; the eleventh year to the fifteenth year, there will be a flat tax of \$35; and on the sixteenth year there will be an option to buy a lifetime which will not be transferrable for \$99. **Ms. Paynter** said that she would make the Department aware of that so that can be included in the synopsis they are providing.

Mr. Morris said that a flat tax is regressive in that the Mercedes Benz will pay the same as the Chevy Nova. He also said that there are approximately 1 million vehicles in Montana, and

at 2% that is generating \$74 million. At \$75 on 1 million vehicles, that will generate almost \$75 million. **SEN. GLASER** reminded him, however, that that \$75 will also include the fees, that the \$75 is all that will be paid. **SEN. ELLIS** said this is an added cost to the bill, and wondered where the money comes from. **Mr. Morris** said that if it is put into the Sprague package, it will generate more money than what is being collected presently, so there would be no impact. **Ms. Paynter** said the Department of Revenue could provide the analysis of how this would work out under current law, Sprague package, Governor's package and Devlin package.

Ms. Paynter said that the Department of Revenue will want to work carefully with the subcommittee to be sure that what they want to accomplish is what is actually written into the legislation. She said that it is a complicated issue and it is important that that be done carefully. **Mr. Morris** reminded the committee, though, that any proposals will have to be voted on and will not become effective until tax year 2000, and would not impact local governments until Fiscal Year 2001. He said the legislature is going to be meeting again in 2001, and any glitches can be worked out at that time.

Mr. Standeart said that this bill repeals **SB 417** reimbursements which are now received by local governments, and he wondered if there would be a loss to local governments. **Ms. Paynter** said that it was because class 8 is totally repealed and **SB 417** was related to class 8, so when class 8 is eliminated, then **SB 417** went away also. She said it was her understanding that it had been factored in with the repeal of class 8, but that she would confirm that.

ADJOURNMENT

Adjournment: 10:20 A.M.

SEN. BOB DEPRATU, Chairman

SANDY BARNES, Secretary

GD/SB

EXHIBIT (tas54bad)